

Department of Justice Merger Guidelines categorizes an HHI of this magnitude as "highly concentrated."⁹ Had all of the winning bidders and Pioneer's Preference winners been totally independent, the HHI would have been only 186.

9. Yet another way of viewing the results of the auction is to look at the types of firms that won licenses. Cellular carriers, or consortia with cellular carriers as members won over 90 percent of the Pops. This is obviously contrary to Congressional intent that licenses be distributed to a wide variety of applicants, including designated entities.

10. A final way to view concentration is by looking at the effects of the bidding in local markets. In all but one of the top twenty markets, established cellular or local telephone companies (or members of consortia that include cellular players) won the licenses.

11. The only reasonable conclusion that can be drawn from this analysis is that there is excessive concentration as a result of the A and B band auctions. This result is not surprising. In an earlier paper I noted that the large cellular carriers were "highly likely to be the winning bidders" for geographically limited PCS licenses.¹⁰ The Commission apparently hopes that the C band auction will address this problem. Indeed, as Table 2 shows, award of the C band licenses will reduce concentration as measured by the HHI to 929. This would place PCS concentration in the "unconcentrated" category in the Merger Guidelines.

12. Delay of the C band auctions will have negative consequences for wireless competition. The existing wireless field is already dominated by the existing cellular carriers. As shown above,

⁹ See U. S. Department of Justice, 1992 Merger Guidelines, CCH, Trade Regulation Reports, 20,573-6, April 7, 1992.

¹⁰ See "An Efficient Market Structure for Personal Communications Services," *supra*, note 1, p. 29.

the PCS spectrum in the A and B bands is also dominated by cellular carriers or established local telephone companies. If entry into the market by the winners of the C band is delayed, A and B band winners will have a substantial "headstart" in the PCS business. The headstart for the A and B band licensees is highly likely to discourage efficient entry or lead to later entrants acquiring a smaller market share than they otherwise would.¹¹ In both situations, competition is reduced and the Congressional objective to avoid market concentration would be defeated.

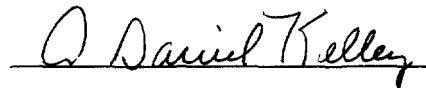
13. Delay in C band auctions will also reduce the economic value of those licenses, and thus the value that the Federal Government receives for the public spectrum resource. Bidders will pay less for the right to compete with firms that have already entered and thus have the advantage of establishing customer bases before the C band carriers can enter.

14. In conclusion, a small number of bidders have obtained an unduly large number of the A and B block PCS licenses. This concentration has negative implications for consumer welfare. Licensing of the C block PCS spectrum will dramatically reduce concentration. However, a substantial delay in the licensing of the C block spectrum after the licensing of the A and B blocks

¹¹ See Stanley M. Besen, An Economic Analysis of the Cellular Radio Headstart Issue, December 20, 1982, for an analysis of the advantages conferred by a headstart.

will likely reduce the viability of new competitors. As a consequence, the goals Congress established in the legislation enabling PCS would not be achieved.

I declare under penalty of perjury the foregoing is true and correct to the best of my knowledge, information and belief.

A handwritten signature in cursive script, reading "A. Daniel Kelley", written over a horizontal line.

A. Daniel Kelley

Executed on: May 9, 1994

Table 1

Company	POPs	Market Share	Cumulative	HHI
Wireless Co*	182,448,718	36.122%	36.12%	1304.8188
AT&T	107,095,875	21.203%	57.33%	449.5873
Primeco	57,191,672	11.323%	68.65%	128.2136
PacTel	31,036,409	6.145%	74.79%	37.7582
TDS	26,482,350	5.243%	80.04%	27.4904
Omnipoint	26,410,597	5.229%	85.27%	27.3417
GTE	19,366,561	3.834%	89.10%	14.7019
Western	13,739,056	2.720%	91.82%	7.3992
BellSouth	11,474,228	2.272%	94.09%	5.1608
Powertel	8,984,235	1.779%	95.87%	3.1640
Ameritech	7,936,224	1.571%	97.44%	2.4689
SWBell	6,613,289	1.309%	98.75%	1.7144
Centennial	3,623,846	0.717%	99.47%	0.5148
Poka Lambro	2,039,335	0.404%	99.87%	0.1630
GCI	550,043	0.109%	99.98%	0.0119
Comm Intl	47,000	0.009%	99.99%	0.0001
South Seas	47,000	0.009%	100.00%	0.0001
Total	505,086,438	100%		2010.5090

* Includes APC, Cox and PhillieCo

Table 2

Company	POPs	Market Share	HHI
Wireless Co*	182,448,718	24.08%	579.8988
AT&T	107,095,875	14.14%	199.8095
Primeco	57,191,672	7.55%	56.9818
PacTel	31,036,409	4.10%	16.7808
TDS	26,482,350	3.50%	12.2175
Omnipoint	26,410,597	3.49%	12.1514
GTE	19,366,561	2.56%	6.5339
Western	13,739,056	1.81%	3.2884
BellSouth	11,474,228	1.51%	2.2936
Powertel	8,984,235	1.19%	1.4062
Ameritech	7,936,224	1.05%	1.0972
SWBell	6,613,289	0.87%	0.7619
Centennial	3,623,846	0.48%	0.2288
Poka Lambro	2,039,335	0.27%	0.0725
GCI	550,043	0.07%	0.0053
Comm Intl	47,000	0.01%	0.0000
South Seas	47,000	0.01%	0.0000
C Block 1	15,784,795	2.08%	4.3406
C Block 2	15,784,795	2.08%	4.3406
C Block 3	15,784,795	2.08%	4.3406
C Block 4	15,784,795	2.08%	4.3406
C Block 5	15,784,795	2.08%	4.3406
C Block 6	15,784,795	2.08%	4.3406
C Block 7	15,784,795	2.08%	4.3406
C Block 8	15,784,795	2.08%	4.3406
C Block 9	15,784,795	2.08%	4.3406
C Block 10	15,784,795	2.08%	4.3406
C Block 11	15,784,795	2.08%	4.3406
C Block 12	15,784,795	2.08%	4.3406
C Block 13	15,784,795	2.08%	4.3406
C Block 14	15,784,795	2.08%	4.3406
C Block 15	15,784,795	2.08%	4.3406
C Block 16	15,784,795	2.08%	4.3406
Total	757,643,158		962.9771

* Includes APC, Cox and PhillieCo

Daniel Kelley

PROFESSIONAL EXPERIENCE:

Senior Vice President, Hatfield Associates, Boulder Colorado (current position).

Conducting economic and applied policy analysis of domestic and international telecommunications public policy and business issues. Recent projects have included advising Central and Eastern European and Latin American Governments on privatization and competition matters, analyzing competitive conditions in cellular radio markets, and analyzing the economics of cable television regulation.

Director of Regulatory Policy, MCI Communications Corporation, 1984-1990.

Responsible for developing and implementing MCI's public policy positions on issues such as dominant carrier regulation, Open Network Architecture, accounting separations and Bell Operating Company line of business restrictions. Also managed an interdisciplinary group of economists, engineers and lawyers engaged in analyzing AT&T and local telephone company tariffs.

Senior Economist and Project Manager, ICF Incorporated, 1982-1984.

Telecommunications and antitrust projects included: forecasting long distance telephone rates; analysis of the competitive effects of AT&T's long distance rate structures; a study of optimal firm size for cellular radio markets; analysis of the FCC's Financial Interest and Syndication Rules, and competitive analysis of mergers and acquisitions in a variety of industries.

Senior Economist, Federal Communications Commission, 1979-1982.

Served as Special Assistant to the Chairman. Advised the Chairman on proposed regulatory changes in the broadcasting, cable television and telephone industries; analyzed legislation and drafted Congressional testimony. Coordinated Bureau And Office efforts on major common carrier matters such as the Second Computer Inquiry and the Competitive Carrier Rulemaking. Also held Senior Economist positions in the Office of Plans and Policy and the Common Carrier Bureau.

Staff Economist, U.S. Department of Justice, 1972-1979.

Analyzed proposals for restructuring the Bell System as a member of the economic staff of U.S. v. AT&T; investigated the competitive effects of mergers and business practices in a wide variety of industries.

EDUCATION:

1976	Ph.D. in Economics	University of Oregon
1971	M.A. in Economics	University of Oregon
1969	B.A. in Economics	University of Colorado

PUBLICATIONS AND COMPLETED RESEARCH:

"A General Approach to Local Exchange Carrier Pricing and Interconnection Issues," Telecommunications Policy Research Conference, Solomons, Md., (1992).

"Gigabit Networks: Is Access a Problem?" IEEE Gigabit Networking Workshop (1992).

"Advances in Network Technology" in Barry Cole, ed., After the Break-Up: Assessing the New Post-AT&T Divestiture Era (1991).

"Alternatives to Rate of Return Regulation: Deregulation or Reform?" in Alternatives to Rate Base Regulation in the Telecommunications Industry, NARUC (1988).

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"The Economics of Copyright Controversies in Communications" in Vincent Mosco, ed., Policy Research in Telecommunications (1984).

"Deregulation After Divestiture: The Effect of the AT&T Settlement on Competition," FCC, OPP Working Paper No. 8 (1982).

"The Transition to Structural Telecommunications Regulation," in Harry M. Trebing, ed., New Challenges for the 1980's (1982), with Charles D. Ferris.

"Competition and Social Goals: Incompatible or Inseparable?" in Harry M. Trebing ed., Communications and Energy in Transition (1981), with Nina W. Cornell and Peter R. Greenhalgh.

"An Empirical Survey of Price Fixing Conspiracies," Journal of Law and Economics (1974), with George A. Hay. Reprinted in Siegfried and Calvari, ed., Economic Analysis and Antitrust Law (1978) and the Journal of Reprints for Antitrust Law and Economics (1980).

TESTIMONY:

Federal Communications Commission, Application of Cellular Communications of Cincinnati, July 25, 1983 (with Robert J. Reynolds): Optimum firm size in the cellular radio market.

Maryland Public Service Commission, Case No. 0450-Phase II, May 31, 1983: Access charge implementation issues.

New York Public Service Commission, Case No. 28425, June 1983: Access charge implementation issues.

Florida Public Service Commission, Docket No. 820537-TP, June 30, 1983, November 4, 1983, June 4, 1984, and September 7, 1984: Access charge implementation issues.

Pennsylvania Public Utility Commission, Docket No. R-832, August 5, 1983: Pennsylvania Bell Rate Case.

New Jersey Board of Public Utilities, Docket No. 83-11, February 22, 1983: Access charge implementation issues.

New York Public Service Commission, Case 88-C-102, March 2, 1990: Alternative Operator Service Issues

New York Public Service Commission, Case 28425, October 8, 1990: IntraLATA Dial 1 Competition

Massachusetts Department of Public Utilities, DPU 90-133, October 17, 1990: AT&T Deregulation.

Georgia Public Service Commission, 3905-U, November 16, 1990: Incentive Regulation.

California Public Service Commission, A.90-07-015, July 10, 1991: AT&T Deregulation.

California Public Service Commission, I-87-11-033, September 23, 1991: IntraLATA Competition

Georgia Public Service Commission, Docket No. 3987-U, January 31, 1992: Cross-Subsidy

Colorado Public Utilities Commission, Docket No. 92R-050T, August 24, 1992: Collocation

Connecticut Department of Public Utility Control, Docket No. 91-10-06, September 25, 1992: Infrastructure

Federal Communications Commission, Docket No. 90-314, April 11, 1994: PCS Licensing

CERTIFICATE OF SERVICE

I, Bridget Y. Monroe, a secretary with the law firm of Verner, Liipfert, Bernhard, McPherson and Hand, hereby certify that on this 12th day of May, 1995, a copy of "GO Communications Corporation's Petition for Reconsideration by the Full Commission of Denial of Communications One, Inc. Emergency Motion to Defer MTA PCS Licensing" was hand-delivered to the following persons:

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